

2444

VILLAGE OF SIMPSON

Financial Statements

Year Ended June 30, 2010

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 5/4/11

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INDEPENDENT AUDITOR'S REPORT

The Honorable Roger Bennett, Mayor and Members of the Board of Aldermen

Village of Simpson:

I have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Village of Simpson (the Village), as of and for the year ended June 30, 2010, which collectively comprise the Village's basic financial statements, as listed in the table of contents. These basic financial statements are the responsibility of the Village of Simpson's management. My responsibility is to express an opinion on these basic financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Village of Simpson as of and for the year ended June 30, 2010, and the results of its operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued my report dated February 24, 2011 on my consideration of the Village of Simpson's internal control over financial reporting and my tests of its compliance with certain provision of laws, regulations, contracts, and grants. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the result of my audit.

The Village has not presented the management's discussion and analysis information that the Government Auditing Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements. The Village has also not presented the required budgetary comparison information.

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village's basic financial statements. The accompanying financial information listed as "Other Financial Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in relation to the basic financial statements taken as a whole.



Leesville, Louisiana

February 24, 2011

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS (GWFS)

VILLAGE OF SIMPSON, LOUISIANA
Statement of Net Assets
June 30, 2010

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash and interest-bearing deposits (Note 2)	\$84,954	\$91,588	\$176,542
Receivables, net (Note 4)	2,866	8,227	11,093
Due from other governmental units	---	---	---
Prepaid expenses	---	---	---
Total current assets	<u>87,820</u>	<u>99,815</u>	<u>187,635</u>
Noncurrent assets:			
Restricted assets (Note 5) –			
Cash	---	---	---
Interest bearing deposits	---	33,828	33,828
Capital assets, net of accumulated depreciation (Note 6)	<u>674</u>	<u>324,228</u>	<u>324,902</u>
Total noncurrent assets	<u>674</u>	<u>358,056</u>	<u>358,730</u>
Total assets	<u>88,494</u>	<u>457,871</u>	<u>546,365</u>
LIABILITIES			
Current liabilities:			
Accounts and other payables	476	1,518	1,994
Salaries payable	402	1,925	2,327
Payroll taxes payable	<u>747</u>	<u>1,303</u>	<u>2,050</u>
Total current liabilities	<u>1,625</u>	<u>4,746</u>	<u>6,371</u>
Noncurrent liabilities:			
Customers' deposits	---	510	510
Long term debt payable	---	---	---
Total noncurrent liabilities	<u>---</u>	<u>510</u>	<u>510</u>
Total liabilities	<u>1,625</u>	<u>5,256</u>	<u>6,881</u>
NET ASSETS			
Invested in capital assets, net of related debt	674	324,228	324,902
Restricted	---	---	---
Unrestricted	<u>86,195</u>	<u>128,387</u>	<u>214,582</u>
Total net assets	<u>86,869</u>	<u>452,615</u>	<u>539,484</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF SIMPSON
Statement of Activities
For the Year Ended June 30, 2010

	<u>Program Revenues</u>	<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenues and Changes in Net Assets</u>		
<u>Activities</u>	<u>Expenses</u>		<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental activities:					
General government	\$32,627	\$---	\$(15,354)	\$---	\$(15,354)
Public safety:					
Police	14,814	---	(14,662)	---	(14,662)
Fire	---	---	---	---	---
Public works	---	---	---	---	---
Total governmental activities	<u>47,441</u>	<u>---</u>	<u>(30,016)</u>	<u>---</u>	<u>(30,016)</u>
Business-type activities:					
Water	131,975	72,500	---	65,024	65,024
Total business-type activities	<u>131,975</u>	<u>72,500</u>	<u>---</u>	<u>65,024</u>	<u>65,024</u>
Total					
General revenues:					
Taxes			18,272	---	18,272
Franchise			18,582	---	18,582
Other taxes			---	290	290
Interest income			---	---	---
Miscellaneous			5,000	(5,000)	---
Transfers			<u>41,854</u>	<u>(4,710)</u>	<u>37,144</u>
Total general revenues and transfers					
Change in net assets			11,838	60,314	72,152
Net assets, June 30, 2009			<u>75,031</u>	<u>392,301</u>	<u>467,332</u>
Net assets, June 30, 2010			<u>\$86,869</u>	<u>452,615</u>	<u>\$539,484</u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENTS (FFS)

FUND DESCRIPTIONS

General Fund

The General Fund is used to account for resources traditionally associated with governments which are not required to be accounted for in another fund.

Enterprise Fund

Utility Fund

To account for the provision of gas, water, and sewerage services to residents of the Village. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing, and related debt service, and billing and collection.

VILLAGE OF SIMPSON

Balance Sheet Governmental Funds June 30, 2010

	<u>General</u>	<u>Total</u>
ASSETS		
Cash	\$84,954	\$84,954
Interest-bearing deposits	---	---
Receivables:		
Franchise	2,866	2,866
Due from other funds	---	---
Prepaid expenses	---	---
Total assets	<u>\$87,820</u>	<u>\$87,820</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 476	\$ 476
Accrued expenses	1,149	1,149
Due to other funds	---	---
Total liabilities	<u>1,625</u>	<u>1,625</u>
Fund balance:		
Unreserved, undesignated	<u>86,195</u>	<u>86,195</u>
Total liabilities and fund balance	<u>\$87,820</u>	<u>\$87,820</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF SIMPSON

Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
June 30, 2010

Total fund balance for governmental funds at June 30, 2010		\$86,195
Total net assets reported for governmental activities in the statement of net assets is different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. Those assets consist of:		
Land	\$ ---	
Equipment assets, net of \$29,023 in accumulated depreciation	<u>674</u>	<u>674</u>
Total net assets of governmental activities at June 30, 2010		<u>\$86,869</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF SIMPSON

Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds For the Year Ended June 30, 2010

	<u>General</u>	<u>Total</u>
Revenues:		
Taxes	\$18,272	\$18,272
Licenses and permits	17,273	17,273
Intergovernmental	---	---
Charges for services	---	---
Fines and forfeitures	152	152
Miscellaneous	(3,058)	(3,058)
Hotel taxes (Note 3)	<u>18,582</u>	<u>18,582</u>
Total revenues	<u>51,221</u>	<u>51,223</u>
Expenditures:		
Current –		
General government	26,058	26,058
Public safety	14,501	14,501
Capital outlay	---	---
Debt service:		
Principal	---	---
Interest	<u>---</u>	<u>---</u>
Total expenditures	<u>40,559</u>	<u>40,559</u>
(Deficiency) excess of revenues over expenditures	10,662	10,662
Other financing sources (uses):		
Transfers in – utility fund	5,000	5,000
Loan proceeds	<u>---</u>	<u>---</u>
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>
Net change in fund balances	15,662	15,662
Fund balance, beginning	<u>74,849</u>	<u>74,849</u>
Fund balance, ending	<u>\$90,511</u>	<u>90,511</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF SIMPSON

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2010

Total net changes in fund balance at June 30, 2010 per Statement of Revenues, Expenditures, and Changes in Fund Balance		\$15,662
The change in net assets reported for governmental activities in the statement of activities is different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay which is considered expenditures on Statement of Revenues, Expenditures, and Changes in Fund Balance	\$---	
Depreciation expense for the year ended June 30, 2010	(3,824)	(3,824)
Total changes in net assets at June 30, 2010 per statement of activities		<u>\$11,838</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF SIMPSON

Proprietary Fund
Statement of Net Assets
June 30, 2010

ASSETS

Current assets:	
Cash and interest bearing deposits	\$91,588
Accounts receivable, net of allowance	<u>8,227</u>
Total current assets	<u>99,815</u>
Noncurrent assets:	
Restricted assets –	
Cash and interest bearing deposits	33,828
Capital assets, net of accumulated depreciation	<u>324,228</u>
Total noncurrent assets	<u>358,056</u>
Total assets	<u>\$457,871</u>

LIABILITIES

Current liabilities:	
Accounts payable	1,518
Salaries payable	1,925
Payroll taxes payable	<u>1,303</u>
Total current liabilities	<u>4,746</u>
Noncurrent liabilities:	
Customers' deposits	<u>510</u>
Total noncurrent liabilities	<u>510</u>
Total liabilities	<u>5,256</u>

NET ASSETS

Invested in capital assets	324,228
Unrestricted	<u>128,387</u>
Total net assets	<u>\$452,615</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF SIMPSON
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2010

Operating revenues	
Charges for services	\$105,123
Other fees	19,116
Miscellaneous	<u>260</u>
Total revenue	<u>124,499</u>
Operating expenses	
Personal services	37,760
Postage	1,292
Water treatment costs	1,903
Professional fees	3,683
Auto expense	3,214
Supplies	2,175
Utilities and telephone	9,935
Dues	590
Repairs	39,192
Insurance	6,275
Miscellaneous	771
Depreciation (Note 6)	<u>25,185</u>
Total operating expenses	<u>131,975</u>
Income (loss) from operations	<u>(7,476)</u>
Nonoperating revenues (expenses)	
Investment income	290
Grant income	<u>72,500</u>
Total nonoperating revenues (expenses)	<u>72,790</u>
Income (loss) before contributions and transfers	65,314
Transfers out – general fund	(5,000)
Transfers in	<u>---</u>
Net Transfers	<u>(5,000)</u>
Change in net assets	60,314
Net assets at beginning of year	<u>392,301</u>
Net assets at end of year	<u>452,615</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF SIMPSON
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2010

	Business-Type Activities <u>Enterprise Fund</u> <u>Water</u>
Cash flows from operating activities:	
Cash received from customers	\$125,134
Cash payments to suppliers	
For goods and services	(68,575)
Cash payments to employees for services	<u>(37,424)</u>
Net cash provided by operating activities	<u>19,135</u>
Cash flows from noncapital financing activities:	
Transfers from other funds	<u>(5,000)</u>
Net cash used by noncapital financing activities	<u>(5,000)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(48,265)
State revenue sharing	<u>72,500</u>
Net cash provided (used) by capital and related financing activities	<u>24,235</u>
Cash flow from investing activities:	
Interest on cash and investments	<u>290</u>
Net increase (decrease) in cash and cash investments	38,660
Cash and Cash investments, June 30, 2009	<u>86,756</u>
Cash and Cash investments, June 30, 2010	<u>\$125,416</u>
Reconciliation of gain (loss) from operations	
to net cash provided by operating activities:	
Income from operations	\$(7,476)
Adjustments to reconcile income (loss) from	
operations to net cash provided by	
operating activities:	
Depreciation	25,185
Changes in assets and liabilities:	
Increase in accounts receivable	575
Increase in other current liabilities	336
Increase in accounts payable	455
Increase in customer deposits	<u>60</u>
Net Cash provided by operating activities	<u>\$19,135</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF SIMPSON

Notes to Basic Financial Statements

(1) Summary of Significant Accounting Policies

The accompanying financial statements of the Village of Simpson (the Village) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements, Financial Accounting Standards Board (FASB) Accounting Standards Codification have been applied unless those standards conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of these notes.

A. Financial Reporting Entity

The Village was originally formed as a Village on August 28, 1967 and operates under the provisions of the Lawrson Act. The Village operates under a Mayor-Board of Aldermen form of government. The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The Village of Simpson has no such component units.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS)

The statement of net assets and statement of activities display information about the Village, the primary government, as a whole. They include all funds of the reporting entity, except fiduciary funds and component units that are fiduciary in nature. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

VILLAGE OF SIMPSON

Notes to Basic Financial Statements (Continued)

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the Village and for each function of the Village's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs, and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The accounts of the Village are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a separate set of self-balancing accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. Fund financial statements report detailed information about the Village.

The various funds of the Village are classified into two categories: governmental and proprietary. The emphasis on fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The major funds of the Village are described below:

Governmental Funds –

The General Fund is the general operating fund of the Village. It is used to account for all financial resources except those required to be accounted for in another fund.

VILLAGE OF SIMPSON

Notes to Basic Financial Statements (Continued)

Additionally, the Village reports the following fund types:

Proprietary Funds –

Proprietary funds are used to account for ongoing organizations and activities that are similar to those often found in the private sector. The measurement focus is based upon determination of net income, financial position, and cash flows.

Enterprise funds

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The Village applies all applicable FASB Accounting Standards Codification pronouncements issued after November 30, 1989 in accounting and reporting for its enterprise fund. The Village's enterprise fund is the Utility Fund.

C. Measurement Focus/Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus

On the government-wide statement of net assets and the statement of activities, both governmental and business-type activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate.

All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

VILLAGE OF SIMPSON

Notes to Basic Financial Statements (Continued)

- a. The proprietary fund utilizes an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide statement of net assets and statement of activities, both governmental and business-type activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures (including capital outlay) generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used.

Program revenues

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Village's taxpayers or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Village's general revenues.

Allocation of indirect expenses

The Village reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

VILLAGE OF SIMPSON

Notes to Basic Financial Statements (Continued)

D. Assets, Liabilities, and Equity

Cash and interest-bearing deposits

For purposes of the Statement of Net Assets, cash and interest-bearing deposits include all demand accounts, savings accounts, and certificates of deposits of the Village. For the purpose of the proprietary fund statement of cash flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less when purchased. See Note (2) for additional GASB No. 3 disclosures.

Investments

Under state law the Village may deposit funds with a fiscal agent organized under the laws of the State of Louisiana, the laws of any other state in the union, or the laws of the United States. The Village may invest in United States bonds, treasury notes and bills, government backed agency securities, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool (LAMP), a nonprofit corporation formed by the State Treasurer and organized under the laws of the State of Louisiana, which operates a local government investment pool.

Interfund receivables and payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "Interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include ad valorem and franchise taxes. Business-type activities report customer's utility service receivables as their major receivables.

VILLAGE OF SIMPSON

Notes to Basic Financial Statements (Continued)

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2010, are recorded as prepaid items.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide or financial statements. Capital assets are capitalized at historical cost or estimated cost if historical is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. The Village maintains a threshold level of \$500 or more for capitalizing capital assets.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Prior to January 1, 2003, governmental funds' infrastructure assets were not capitalized. These assets have been valued at estimated historical cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. Land and construction in progress are not depreciated. The range of estimated useful lives by type of asset is as follows:

Equipment	5 – 15 years
Plant, Well, and Extensions	10 -50 years

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Compensated Absences

The Village does not award compensated absences to its employees.

Restricted Assets

Restricted assets include cash and interest-bearing deposits of the proprietary fund that are legally restricted as to their use. The restricted assets are related to utility meter deposits, current portions of long term debt and USDA sinking and reserve accounts.

Long-term debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

VILLAGE OF SIMPSON

Notes to Basic Financial Statements (Continued)

All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of utility meter deposits payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary fund long-term debt is the same in the fund statements as it is in the government-wide statements.

Equity Classifications

In the government-wide statements, equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – all other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

In the fund financial statements, governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

E. Revenues, Expenditures, and Expenses

Operating Revenues and Expenses:

Operating revenues and expenses for proprietary funds are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

Expenditures/Expenses

In the government-wide financial statements, expenses are classified by function for both governmental and business-type activities.

In the fund financial statements, expenditures are classified as follows:

Governmental Funds – by Character

Proprietary Fund – by Operating and Nonoperating

VILLAGE OF SIMPSON

Notes to Basic Financial Statements (Continued)

In the fund financial statements, governmental funds report expenditures of financial resources. Proprietary funds report expenses relating to use of economic resources.

Interfund Transfers

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

F. Budgets and Budgetary Accounting

The Village follows these procedures in establishing the budgetary data reflected in the financial statements.

1. The Village prepares a proposed operating budget for the fiscal year and submits it to the Mayor and Board of Aldermen not later than fifteen days prior to the beginning of each fiscal year.
2. A summary of the proposed budget is published and the public notified that the proposed budget is available for public inspection. At the same time, a public hearing is called.
3. A public hearing is held on the proposed budget at least ten days after publication of the call for the hearing.
4. After the holding of the public hearing and completion of all action necessary to finalize and implement the budget, the budget is adopted through passage of a resolution prior to the commencement of the fiscal year for which the budget is being adopted.
5. Budgetary amendments involving the transfer of funds from one department, program, or function to another or involving increases in expenditures resulting from revenues exceeding amounts estimated require the approval of the Board of Aldermen.
6. All budgetary appropriations lapse at the end of each fiscal year.
7. Budgets for all funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgeted amounts are as originally adopted or as finally amended by the Board of Aldermen.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

VILLAGE OF SIMPSON

Notes to Basic Financial Statements (Continued)

(2) Cash and Interest-Bearing Deposits

Under state law, the Village may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Village may invest in certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. At June 30, 2010, the Village has cash and interest-bearing deposits (book balances) totaling \$210,370 as follows:

Demand deposits	\$176,542
Savings and certificates of deposit	<u>33,828</u>
Total	<u>\$210,370</u>

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the Village's deposits may not be recovered or will not be able to recover the collateral securities that are in the possession of an outside party. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent bank. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. Deposit balances (bank balances) at June 30, 2010, are as follows:

Bank balances	<u>\$211,325</u>
At June 30, 2010 the deposits are secured as follows:	
Federal deposit insurance	211,325
Pledged securities (Category 3)	<u>---</u>
Total	<u>\$211,325</u>

As of June 30, 2010, the Village's total bank balances were fully insured and therefore, they were not exposed to custodial credit risk.

(3) Hotel Tax

The Village received \$18,582 in hotel taxes for the year ended June 30, 2010. The Village participates with other Vernon Parish municipalities to share in a hotel tax collected by the Vernon Parish Hotel/Motel Tourist Bureau and distributed on a monthly basis to each entity by the Vernon Parish Sheriff's Office.

VILLAGE OF SIMPSON

Notes to Basic Financial Statements (Continued)

(4) Receivables

Receivables at June 30, 2010 of \$11,093 consist of the following:

	<u>General</u>	<u>Utility</u>	<u>Total</u>
Accounts	\$---	\$8,227	\$8,227
Franchise	<u>2,866</u>	<u>---</u>	<u>2,866</u>
Totals	<u>\$2,866</u>	<u>\$8,227</u>	<u>\$11,093</u>

(5) Restricted Assets – Proprietary Fund Type (Enterprise Utility Fund)

At June 30, 2010, utility fund restricted assets consisted of the following:

Reserve account – interest bearing	\$ 8,540
Depreciation and contingency account – interest bearing	<u>25,288</u>
Total restricted assets	<u>\$33,828</u>

VILLAGE OF SIMPSON

Notes to Basic Financial Statements (Continued)

(6) Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance <u>June 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2010</u>
Governmental activities:				
Other capital assets:				
Equipment	\$21,893	\$ ---	\$ ---	\$ 21,893
Police equipment	<u>7,804</u>	<u>---</u>	<u>---</u>	<u>7,804</u>
Totals	<u>29,697</u>	<u>---</u>	<u>---</u>	<u>29,697</u>
Less accumulated depreciation				
Equipment	(18,272)	(3,510)	---	(21,782)
Police equipment	<u>(6,927)</u>	<u>(314)</u>	<u>---</u>	<u>(7,241)</u>
Total accumulated depreciation	<u>(25,199)</u>	<u>(3,824)</u>	<u>---</u>	<u>(29,023)</u>
Governmental activities, capital assets, net	<u>4,498</u>	<u>(3,824)</u>	<u>---</u>	<u>674</u>
Business-type activities:				
Other capital assets:				
Plant and equipment	621,998	---	---	621,998
Well equipment	111,033	---	---	111,033
Line extensions	8,276	48,265	---	56,541
Office equipment	6,483	---	---	6,483
Autos and trucks	<u>3,500</u>	<u>---</u>	<u>---</u>	<u>3,500</u>
Total	<u>751,290</u>	<u>48,265</u>	<u>---</u>	<u>799,555</u>
Less accumulated depreciation:				
Plant and equipment	(348,975)	(19,954)	---	(368,929)
Well equipment	(82,908)	(2,818)	---	(85,726)
Line extensions	(8,276)	(2,413)	---	(10,689)
Office equipment	(6,483)	---	---	(6,483)
Autos and trucks	<u>(3,500)</u>	<u>---</u>	<u>---</u>	<u>(3,500)</u>
Total accum. depr.	<u>(450,142)</u>	<u>(25,185)</u>	<u>---</u>	<u>(475,327)</u>
Business-type activities, capital assets, net	<u>\$301,148</u>	<u>\$23,080</u>	<u>\$---</u>	<u>\$324,228</u>

VILLAGE OF SIMPSON

Notes to Basic Financial Statements (Continued)

Depreciation expense for the year ended June 30, 2010 for the general fund was \$3,824 and \$25,185 for the utility fund.

(7) Employee Retirement

All employees of the Village are participants of the Social Security System.

(8) Capital Lease

There are no capital leases in effect at June 30, 2010.

(9) Commitments and Contingencies

Litigation

At June 30, 2010, there is no pending litigation against the Village of Simpson.

(10) Compensation of Village Officials

A detail of compensation paid to the Mayor and Board of Aldermen for the year ended June 30, 2010 follows:

Roger Bennett, Mayor	\$1,200
Gerald Cooley, Alderman	600
Carol Adams, Alderperson	600
Neva Knight, Alderperson	<u>600</u>
Total	<u>\$3,000</u>

(11) Risk Management

The Village is exposed to risks of loss in the areas of health care, general and auto liability, property hazards, and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year.

OTHER FINANCIAL INFORMATION

VILLAGE OF SIMPSON

Proprietary Fund Comparative Statement of Net Assets June 30, 2010

ASSETS		
Current assets:	<u>2010</u>	<u>2009</u>
Cash and interest bearing deposits	\$91,588	60,862
Accounts receivable, net of allowance	<u>8,227</u>	<u>8,802</u>
Total current assets	<u>99,815</u>	<u>69,664</u>
Noncurrent assets:		
Restricted assets –		
Cash and interest bearing deposits	33,828	25,894
Capital assets, net of accumulated depreciation	<u>324,228</u>	<u>301,148</u>
Total noncurrent assets	<u>358,056</u>	<u>327,042</u>
Total assets	<u>\$457,871</u>	<u>396,706</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,518	1,063
Salaries payable	1,925	716
Payroll taxes payable	<u>1,303</u>	<u>2,176</u>
Total current liabilities	<u>4,746</u>	<u>3,955</u>
Noncurrent liabilities:		
Customers' deposits	<u>510</u>	<u>450</u>
Total noncurrent liabilities	<u>510</u>	<u>450</u>
Total liabilities	<u>5,256</u>	<u>4,405</u>
NET ASSETS		
Invested in capital assets, net of related debt	324,228	301,148
Unrestricted	<u>128,387</u>	<u>91,153</u>
Total net assets	<u>\$452,615</u>	<u>\$392,301</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF SIMPSON
Proprietary Fund
Comparative Statement of Revenues, Expenses, and Changes in Net Assets
Year Ended June 30, 2010

	<u>2010</u>	<u>2009</u>
Operating revenues		
Charges for services	\$105,123	84,745
Other fees	19,116	325
Miscellaneous	<u>260</u>	<u>1,104</u>
Total revenue	<u>124,499</u>	<u>86,174</u>
Operating expenses		
Personal services	37,760	34,604
Postage	1,292	997
Water treatment costs	1,903	1,609
Professional fees	3,683	2,645
Auto expense	3,214	1,449
Supplies	2,175	215
Utilities and telephone	9,935	9,007
Dues	590	4,030
Repairs	39,192	13,956
Insurance	6,275	14,916
Miscellaneous	771	10,389
Depreciation (Note 6)	<u>25,185</u>	<u>26,703</u>
Total operating expenses	<u>131,975</u>	<u>120,520</u>
Income (loss) from operations	<u>(7,476)</u>	<u>(34,346)</u>
Nonoperating revenues (expenses)		
Investment income	290	360
Grant income	<u>72,500</u>	<u>---</u>
Total nonoperating revenues (expenses)	<u>72,790</u>	<u>360</u>
Income (loss) before contributions and transfers	65,314	(33,986)
Transfers out – general fund	(5,000)	---
Transfers in	<u>---</u>	<u>17,243</u>
Net Transfers	<u>(5,000)</u>	<u>17,243</u>
Change in net assets	60,314	(16,743)
Net assets at beginning of year	<u>392,301</u>	<u>409,044</u>
Net assets at end of year	<u>452,615</u>	<u>\$392,301</u>

INTERNAL CONTROL, COMPLIANCE, AND OTHER MATTERS

ELLIOTT & ASSOCIATES, INC.

A Professional Accounting Corporation

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W. Michael Elliott, CPA

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Roger Bennett, Mayor and Members of the Board of Aldermen

VILLAGE OF SIMPSON

I have audited the financial statements of the Village of Simpson, as of and for the year ended June 30, 2010, and have issued my report thereon dated February 24, 2011. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Village of Simpson's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

However, I identified certain deficiencies in internal control over financial reporting, described in the accompanying summary schedule of current year audit findings and management's corrective action plan, that I consider to be significant deficiencies in internal control over financial reporting and identified as 10-1(IC) and 10-2(IC). A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Simpson's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one instance of noncompliance described in the accompanying schedule of current and prior year audit findings and management's corrective action plan as item 10-1 (C) that is required to be reported under *Government Auditing Standards*.

The Village's response to the findings identified in my audit is described in the accompanying schedule of current and prior year audit findings and management's corrective action plan. I did not audit the Village's responses and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management and the Louisiana Legislative Auditor and is not intended to be, and should not be, used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Elliott & Assoc. "APAC"

Leesville, Louisiana

February 24, 2011

VILLAGE OF SIMPSON

Summary Schedule of Current Year Audit Findings and Management's Corrective Action Plan Year ended June 30, 2010

<u>Fiscal Year</u> <u>Finding</u> <u>Initially</u> <u>Ref.No. Occurred</u>	<u>Description of finding</u>	<u>Corrective</u> <u>Action</u> <u>Taken</u>	<u>Corrective Action Planned</u>	<u>Name of Anticipated</u> <u>Contact</u> <u>Person</u> <u>Completion</u> <u>Date</u>
<u>CURRENT YEAR (6/30/10)—</u>				
<u>Internal Control:</u>				
10-1(IC) Unknown	Due to the small number of employees, the Village did not have adequate segregation of functions within the accounting system.	N/A	No response is considered necessary.	Joan Smith, Town Clerk N/A
10-2(IC) 2010	The Village does not have a staff person who has the qualifications and training to apply generally accepted accounting principles (GAAP) in recording the entity's financial transactions or preparing its financial statements, including the related notes.	No	The Village has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Village to outsource this task to its independent auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their contents and presentation.	Joan Smith, Town Clerk N/A

VILLAGE OF SIMPSON

Summary Schedule of Current and Prior Year Audit Findings
and Management's Corrective Action Plan (Continued)
Year ended June 30, 2010

Compliance:

10-1(C) Finding: *This audit is not being issued within the six months of the close of its June 30, 2010 fiscal year-end. This is a violation of LSA R.S. #24:513 (A) (5).*

Management response:

The Village's financial statement issuance was delayed due to the auditor's hospitalization and illness in November and December 2010.

PRIOR YEAR (6/30/09)—

There were no findings during the fiscal year ending June 30, 2009.